

PROJECT METRICS

The ideal NMTC project has strong low-income community impact, a strong borrower, has at least some financing already lined up, and is "shovel ready."

- \$6 million minimum project size
- Project must be located in a qualified distressed, low-income census tract in Florida
- Project must provide clear and substantial benefits to low-income populations
- Project should generate notable construction and permanent jobs
- Works best for near-bankable projects (e.g. strong borrower and project that can pencil out with the extra support of NMTC)
- Projects with some financing already lined up stand a greater prospect of NMTC funding
- NMTC can be used for new or substantial rehabilitation commercial projects, both for-profit and nonprofit, including but not limited to office, retail, industrial, and community facility space
- Substantial rehabilitation permitted only if equal to or greater than 25% of the "adjusted basis" of the building
- Construction take-out financing permitted only if the construction performed in the past 24 months was equal to or greater than 25% of the "adjusted basis"
- Not for rental housing, but can be used for the commercial portion of a qualified mixed-use project

CENSUS TRACT CRITERIA

NMTC Projects must be located in census tracts which:

Meet one of four criteria:

- Poverty rates greater than 30%
- Median family income of 60% or less of Area Median Family Income
- Unemployment rates at least 1.5x the national average
- Located in a non-metropolitan census tract (extremely rural)

Or meet at least two of the following criteria:

- Poverty rates greater than 25%, median family income of 70% or less of AMI or unemployment rates at least 1.25x national average
- Federally designated Empowerment Zones, Enterprise Communities, or Renewal Communities
- US SBA designated HUB zone where NMTC loan will support businesses
- Brownfield site
- Hope VI redevelopment plan area
- Federally designated Native American redevelopment area
- Federally designated medically underserved area where NMTC loan will support health-related services
- State or local tax-increment financing districts, including Enterprise Zones
- Counties for which FEMA has issued a major disaster declaration within 24 months
- Businesses certified by the Dept. of Commerce as eligible for assistance under the TAA Program
- Federally designated food deserts: communities, particularly low-income areas, in which residents do not live in close proximity to affordable and healthy food retailers

LOAN STRUCTURE

- Most transactions feature a 2-loan A/B structure: The "A" loan represents ~80-85% and the "B" loan is ~15-20% of total loan capital
- At loan maturity, the "A" loan is paid in full, and the "B" loan can be converted into equity by the borrower for pennies on the dollar
- Loans are interest only with no prepayments allowed for 7 years. Longer amortization periods (up to 35+ years) may be available

NMTC ADVANTAGES

- The effective rates in the NMTC structure are typically below market for commercial loans of this type.
- As a result of the longer amortization or interest only payments and typically lower rates, monthly payments are lower than for similar size conventional loans.
- The "B" loan is often treated as up-front substitute for a portion of equity required by lenders, resulting in higher effective loan-to-value ratios.
- The equity conversion feature of the "B" loan means that most of up-front equity becomes true equity at end of 7-year term of NMTC structure.

NMTC CHALLENGES

- Whether longer amortization or interest-only payments, there is a balloon payment requirement at the end of 7 years. Project must underwrite for its ability to re-finance at that time.
- Some inflexibility (e.g. project location restrictions, no prepayments, term is always 7 years, certain purposes not allowed, etc.).
- Program is very complicated and closings are time consuming; and there is a notable learning curve for first-time capital providers and borrowers.
- High legal and accounting fees (which may be financed into the loan).
- Generally, a new single purpose borrowing entity is required in order to reduce the significant reporting requirements during loan term.
- In addition to loan guaranty, a Borrower or guarantor also provides indemnification for tax credit recapture events caused by borrower's actions.

CONTACT US

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FLORIDA COMMUNITY LOAN FUND

provides expertise and capital to make projects successful and help organizations improve lives and communities. We help build strong communities by providing financing and technical expertise for high-impact projects in low-income communities throughout Florida.

HOUSING

- Affordable
- Supportive
- Multifamily Preservation

COMMUNITY FACILITIES

- Homeless & Special Needs
- Community Healthcare
- Education & Youth

ECONOMIC DEVELOPMENT

- Food Access
- New Markets Tax Credit
- Commercial & Retail

Learn more about our borrowers and their success stories on our website, www.fclf.org.



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